

CITY OF DYSART, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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City of Dysart

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pam Thiele	Mayor	January 2016
Tom Brandt	Council Member	January 2018
Bret Hennessy	Council Member	January 2018
Tim Glenn	Council Member	January 2018
Don Zeien	Council Member	January 2016
Mary Wankowicz	Council Member	January 2016
Roxanne Schneider	City Clerk	indefinite
Tabby Kaiser	Deputy City Clerk	indefinite
Kevin Ahrenholz	City Attorney	indefinite



James R. Ridihalgh, CPA
Gene L. Fuelling, CPA
Donald A. Snitker, CPA
Jeremy P. Lockard, CPA
Brent Waters, CPA

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted the audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Dysart adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters*Supplementary and Other Information*

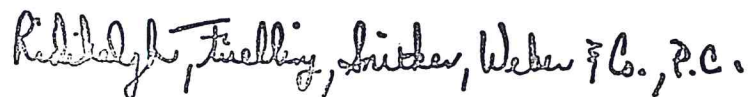
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dysart's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 13 and page 33 through 40 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2015 on our consideration of the City of Dysart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Dysart's internal control over financial reporting and compliance.



Ridihalgh Fuelling Snitker Weber & Co., P.C.

January 8, 2015

City of Dysart

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased significantly from fiscal year 2014 to fiscal year 2015. Total governmental revenues (excluding transfers) were \$1,523,761 in FY14, and \$2,314,698 in FY15. The increase can be attributed in part to the issuance of \$1,070,000 in general obligation bonds during FY15, which included refunding the 2006 General Obligation Issuance, as well as grant funds received for the Community Building/Park Pavilion project. Property tax revenues increased approximately \$13,000, while TIF revenues decreased, from \$71,864 in fiscal year 2014 to \$69,838 in fiscal year 2015.
- Governmental disbursements increased approximately \$372,000 from fiscal year 2014 to fiscal year 2015. Capital project expenses decreased slightly, by \$30,351. Public Safety disbursements decreased \$633,468 in FY14 to \$539,718 in FY15. A new fire truck was purchased in FY14, and a new ambulance in FY15. Expenses and revenues for Dysart Fire Fighter's Inc. are also included in these totals. Public works expenditures increased approximately \$66,650, Culture & Recreation expenses decreased approximately \$23,000, and Community & Economic Development expenses held steady. General government expenses held steady, with \$61,585 in expenditures during FY14, and \$61,495 in FY15. Debt Service expenses increased significantly, from \$289,233 in FY14 to \$999,515 in FY15. This was due to the refunding of the 2006 Infrastructure Improvements General Obligation Bond Issue in May of 2015. Business type expenses (excluding transfers) held steady, at \$1,581,536 in FY14, and \$1,579,466 in FY15.
- The City's total cash basis net position decreased by \$172,905 from June 30, 2014 to June 30, 2015. This was due to the budgeted use of cash reserves for capital equipment and improvements.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sanitary Sewer Fund, Electric Fund and Garbage Service Fund. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Garbage and Electric Funds, considered to be major funds of the City. The Sewer Utility Fund is a non-major Enterprise Fund.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly during FY15, from \$1,501,815 to \$1,485,834. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net position of Governmental Activities		
	Year ended June 30,	
	2015	2014
Receipts & transfers:		
Program Receipts:		
Charges for service	\$222,159	\$200,212
Capital grants, contributions and restricted interest	104,525	408
Operating grants, contributions and restricted interest	232,631	398,749
General Receipts:		
Property Tax	479,362	466,300
Local option sales tax	87,526	86,433
TIF Revenues	69,838	71,864
Other city tax	2,813	1,210
Unrestricted investment earnings	2,327	2,901
Bond proceeds	1,110,737	
Other general receipts	2,324	283,547
Special Assessments	0	12,137
Net Transfers in (out)	<u>390,722</u>	<u>300,000</u>
Total receipts & transfers	2,705,420	1,823,761
Disbursements:		
Public Safety	539,718	633,468
Public Works	169,309	102,646
Health and social services	0	0
Culture and recreation	204,186	226,894
Community & economic development	14,063	14,736
General government	61,495	61,585
Debt Service	999,515	289,233
Capital projects	733,115	763,466
Other financing uses/transfers out	<u>0</u>	<u>257,694</u>
Total disbursements	<u>2,721,401</u>	<u>2,349,722</u>
Increase (decrease) in cash basis net position	(15,981)	(525,961)
Cash basis assets beginning of year	<u>1,501,815</u>	<u>2,027,776</u>
Cash basis assets end of year	<u>\$1,485,834</u>	<u>1,501,815</u>
Includes Dysart Fire Fighters Inc.		
Balance of:	\$65,293	\$62,048

The City's total receipts for governmental activities, excluding net transfers in, increased by approximately \$491,000 from \$1,523,761 to \$2,314,698. The City issued general obligation bonds in FY15, which accounts for the change in revenues, along with grant funds received for the Community Building/Park Pavilion Project. Expenditures showed an increase due to the refinancing of the 2006 Debt Issuance during this fiscal year.

Property tax rates increased slightly in fiscal year 2015, at a rate of \$12.977748/\$1000, as compared to a rate of \$12.83036/\$1000 in fiscal year 2014. Overall property tax revenues were slightly higher, increasing \$13,062, from \$466,300 to \$479,362. TIF revenues decreased from \$71,864 during FY14 to \$69,838 in FY15. Local option sales tax held steady at \$87,526 during FY15, compared to \$86,433 received in fiscal year 2014. Local option sales tax revenues are used to service the aquatic center debt.

There were several changes in the governmental program expenses also. Public Safety expenses increased due to the purchase of a new ambulance. Public Works showed an increase in spending, while Culture and Recreation decreased by approximately \$20,000. Community & Economic Development and General Government expenses both remained steady for the year. Debt Service showed a significant increase, from \$289,233 in FY14 to \$999,515 in FY15. This was due to the refunding of the 2006 Infrastructure Improvement General Obligation Bonds during FY15. Capital Projects remained steady with expenses of \$763,466 in FY14 and \$733,115 in FY15. Capital projects during this fiscal year included Water and Sewer Improvements, and the Community Building Renovation Project.

Changes in Cash Basis Net position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts & transfers:		
Program Receipts:		
Charges for service		
Water	\$ 296,387	\$ 299,675
Sewer	96,262	87,139
Electric	1,201,075	1,228,212
Garbage	215,629	194,589
Capital grants, contributions and restricted interest	0	17,210
General Receipts:		
Unrestricted investment earnings	3,911	4,769
Bond proceeds	0	0
Other general receipts	0	0
Transfers in	0	0
Total receipts & transfers	<u>1,813,264</u>	<u>1,831,594</u>
Disbursements:		
Water	273,940	296,217
Sewer	121,343	111,973
Electric	962,255	961,463
Garbage	221,928	211,883
Debt Service	0	0
Transfers out	<u>390,722</u>	<u>300,000</u>
Total disbursements & transfers	<u>1,970,188</u>	<u>1,881,536</u>
Increase (decrease) in cash basis net position	(156,924)	(49,942)
Cash basis assets beginning of year	<u>1,486,858</u>	<u>1,536,800</u>
Cash basis assets end of year	<u>\$1,329,934</u>	<u>\$1,486,858</u>

Total business type activities receipts and transfers in for the fiscal year decreased approximately \$18,000 from the previous year, coming in at \$1.81 million compared to \$1.83 million last year. Utility revenues decreased slightly in the Water and Electric Funds, and increased in the Sewer and Garbage Funds, primarily due to rate increases enacted for FY15. Disbursements in the Water Fund decreased slightly, and increased in the remaining business type funds, primarily due to ongoing maintenance and repair items. The increase in Garbage expenditures was due to increased tipping fees at the Tama County Landfill.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of \$1,420,540 a slight decrease from last year's total of \$1,439,767. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$223,428 from the prior year to \$632,945. This was primarily due to the purchase of a new ambulance, as well as the use of designated funds for the Community Building improvements.
- The Storm Sewer 2013 capital projects fund was closed out during the fiscal year, as the final payment of retainage was made in December, 2014. The City used cash reserves to finance this project.
- The Community Building/Park Pavilion Project got underway during FY15. Renovations to the Community Building began in February, 2015. Construction of the park pavilion will begin in the spring of 2016. The project is being financed by grants, including a Vision Iowa grant, private contributions, and use of cash reserves. The Community Building renovations should be complete by early to mid-October.
- The 2015 Water/Sewer Project was substantially completed during FY15. Final payment of retaining is expected to be made in the fall of 2015. The project was financed by the issuance of general obligation bonds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$22,762 to \$146,771. The City continues to build cash reserves for future water main replacement projects.
- The Electric Fund cash balance decreased by approximately \$149,000 to \$983,509. During the fiscal year, \$390,000 was transferred to capital projects funds and the General fund, which caused the decrease. The fund balance would have seen a significant increase without that transfer.
- The Garbage Fund cash balance decreased by about \$6,000 to \$124,477.

BUDGETARY HIGHLIGHTS

The City amended its budget twice during the fiscal year, on December 12, 2014, and May 13, 2015. The first amendment was necessary to allow for the purchase of shelving for the library at a cost of approximately \$6,700 and for the 2014 Streets Program, budgeted at \$116,500. The second amendment was to account for increased expenditures in various areas, including the purchase of a park mower, new billing/accounting/payroll software, and purchase of the Laserfiche document management system. The City also refunded bonds originally issued in 2006 at a lower interest rate, along with issuing debt for the 2015 Sewer and Water Project.

DEBT ADMINISTRATION

On June 30, 2015, the City had \$2,350,000 in bonds and other long-term debt, compared to \$2,215,000 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2015	2014
General obligation bonds & notes	2,350,000	2,215,000
Total	<u>\$2,350,000</u>	<u>\$2,215,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$3,265,430. With outstanding general obligation debt of \$2,350,000, the city was using approximately 72% of its constitutional debt limit at fiscal year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2016 decreased slightly, \$12.88335 per \$1000 in valuation, compared to \$12.97748 per \$1000 in valuation, in fiscal year 2015.

The City began major renovations and upgrades to the Dysart Community Building during FY15, and that project continues into FY16. Estimated completion of the project is early October, 2015. In addition, the construction of a Park Pavilion/Band Shell in the City Park will take place during FY16. Current plans are to let bids for the Park Project in early 2016, with the construction to be completed by mid-June, 2016.

The City Council is also studying options for providing public works services to the Community. A decision regarding proposals to contract out a portion or all of the services versus keeping those duties in-house is anticipated to be made in January, 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa. Phone #319-476-5690.

Basic Financial Statements

City of Dysart

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 539,718	103,348	47,607	-
Public works	169,309	-	143,392	-
Culture and recreation	204,186	32,061	9,210	-
Community and economic developme	14,063	44,260	-	-
General government	61,495	42,490	32,422	-
Debt service	999,515	-	-	-
Capital projects	733,115	-	-	104,525
Total governmental activities	2,721,401	222,159	232,631	104,525
Business type activities:				
Water	273,940	296,387	-	-
Electric	962,255	1,201,075	-	-
Garbage	221,928	215,629	-	-
Sewer	121,343	96,262	-	-
Total business type activities	1,579,466	1,809,353	-	-
Total	\$ 4,300,867	2,031,512	232,631	104,525

General Receipts:

Property tax levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Other city tax	
Unrestricted interest on investments	
Bond proceeds	
Miscellaneous	
Transfers	
Total general receipts and transfers	
Change in cash basis net position	
Cash basis net position beginning of year	
Cash basis net position end of year	

Cash Basis Net Position

Restricted:	
Expendable:	
Debt service	
Streets	
Urban renewal purposes	
Other purposes	
Unrestricted	

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
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Governmental Activities	Business Type Activities	Total
----------------------------	-----------------------------	-------

(388,763)	-	(388,763)
(25,917)	-	(25,917)
(162,915)	-	(162,915)
30,197	-	30,197
13,417	-	13,417
(999,515)	-	(999,515)
(628,590)	-	(628,590)

(2,162,086)	-	(2,162,086)
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-	22,447	22,447
-	238,820	238,820
-	(6,299)	(6,299)
-	(25,081)	(25,081)

-	229,887	229,887
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(2,162,086)	229,887	(1,932,199)
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389,836	-	389,836
69,838	-	69,838
89,526	-	89,526
87,982	-	87,982
2,813	-	2,813
2,327	3,911	6,238
1,110,737	-	1,110,737
2,324	-	2,324
390,722	(390,722)	-

2,146,105	(386,811)	1,759,294
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(15,981)	(156,924)	(172,905)
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1,501,815	1,486,858	2,988,673
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\$ 1,485,834	1,329,934	2,815,768
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\$ 142,354	-	142,354
101,788	-	101,788
29,135	-	29,135
203,898	93	203,991
1,008,659	1,329,841	2,338,500

\$ 1,485,834	1,329,934	2,815,768
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City of Dysart

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	Debt Service		Capital Project		Other
	General	2006 Infrastructure	Community Building/Park	Water/ Sewer 2015	Nonmajor Governmental Funds
Receipts:					
Property tax	\$ 329,006	-	-	-	150,356
Tax increment financing	-	-	-	-	69,838
Other city tax	1,949	-	-	-	88,846
Licenses and permits	4,946	-	-	-	-
Use of money and property	3,926	161	764	3	812
Intergovernmental	12,121	-	56,895	-	143,392
Charges for service	132,543	-	-	-	1,690
Special assessments	-	28,290	-	-	1,025
Miscellaneous	78,291	13,200	46,811	33	26,272
Total receipts	562,782	41,651	104,470	36	482,231
Disbursements:					
Operating:					
Public safety	514,859	-	-	-	24,859
Public works	2,488	-	-	-	166,821
Culture and recreation	204,186	-	-	-	-
Community and economic development	14,063	-	-	-	-
General government	61,495	-	-	-	-
Debt service	-	806,000	-	-	193,515
Capital projects	-	-	376,940	324,980	31,195
Total disbursements	797,091	806,000	376,940	324,980	416,390
Excess (deficiency) of receipts over (under) disbursements	(234,309)	(764,349)	(272,470)	(324,944)	65,841
Other financing sources (uses):					
Bond proceeds	-	720,000	-	390,737	-
Sale of capital assets	12,500	-	-	-	-
Miscellaneous	292	-	-	-	-
Transfers in	161,215	87,275	440,106	-	194,539
Transfers out	(163,127)	-	-	-	(329,287)
Net other financing sources (uses)	10,880	807,275	440,106	390,737	(134,748)
Net change in cash balances	(223,429)	42,926	167,636	65,793	(68,907)
Cash balances beginning of year	856,373	37,433	142,255	-	465,754
Cash balances end of year	\$ 632,944	80,359	309,891	65,793	396,847
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	80,359	-	-	61,995
Streets	-	-	-	-	101,788
Urban renewal purposes	-	-	-	-	29,135
Other purposes	-	-	-	-	203,898
Committed for capital expenditures	5,014	-	309,891	65,793	-
Assigned	197,392	-	-	-	31
Unassigned	430,538	-	-	-	-
Total cash basis fund balances	\$ 632,944	80,359	309,891	65,793	396,847

See notes to financial statements

Total

479,362
69,838
90,795
4,946
5,666
212,408
134,233
29,315
164,607

1,191,170

539,718
169,309
204,186
14,063
61,495
999,515
733,115

2,721,401

(1,530,231)

1,110,737
12,500
292
883,135
(492,414)

1,514,250

(15,981)

1,501,815

1,485,834

142,354
101,788
29,135
203,898
380,698
197,423
430,538

1,485,834

City of Dysart

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise Funds				Total
	Water	Electric	Garbage	Other Nonmajor Proprietary Funds	
Operating receipts:					
Charges for service	\$ 295,337	1,188,273	215,629	87,078	1,786,317
Miscellaneous	1,050	12,801	-	9,184	23,035
Total operating receipts	296,387	1,201,074	215,629	96,262	1,809,352
Operating disbursements:					
Business type activities	273,940	962,255	221,928	121,343	1,579,466
Total operating disbursements	273,940	962,255	221,928	121,343	1,579,466
Excess (deficiency) of operating receipts over (under) operating disbursements	22,447	238,819	(6,299)	(25,081)	229,886
Non-operating receipts (disbursements):					
Interest on investments	315	3,153	267	176	3,911
Transfers out	-	(390,721)	-	-	(390,721)
Net non-operating receipts (disbursements)	315	(387,568)	267	176	(386,810)
Excess (deficiency) of receipts over (under) disbursements	22,762	(148,749)	(6,032)	(24,905)	(156,924)
Net change in cash balances	22,762	(148,749)	(6,032)	(24,905)	(156,924)
Cash balances beginning of year	124,009	1,132,258	130,509	100,082	1,486,858
Cash balances end of year	\$ 146,771	983,509	124,477	75,177	1,329,934
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	-	-	93	93
Unassigned	146,771	983,509	124,477	75,084	1,329,841
Total cash basis fund balances	\$ 146,771	983,509	124,477	75,177	1,329,934

See notes to financial statements

City of Dysart

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Dysart is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric, and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Dysart has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Dysart (the primary government), and the following component unit: Dysart Fire Fighters, Incorporated. This component unit is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

Dysart Fire Fighters, Incorporated (Corporation) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Corporation is legally separate from the City, its purposes and objectives are to benefit the City of Dysart by providing assistance to the City in execution and performance of responsibilities to the citizens of Dysart and vicinity with regard to the study and advancement of the science of fire prevention, protection and suppression, and general emergency response and to conduct civic and social services, charitable and fundraising activities which support the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Sheriff's Department, Tama County Economic Development Commission, Dysart Rural Fire Agency, Inc., Poweshiek Water Association, Resale Power Group of Iowa (RPGI), Tama County Emergency Communications Network, Inc. (CodeRED), and Tama County Solid Waste Disposal Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Debt Service—2006 Infrastructure Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt issued to fund 2006 infrastructure projects.

Capital Project:

The Community Building/Park Project Fund is utilized to account for the receipt of grant funds and other donations and payment of project expenditures related to the community building and park project.

The Water/Sewer Projects 2015 Fund is utilized to account for bond receipts to be used for, and the payment of, project expenditures related to the 2015 water and sewer improvement projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility system.

The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

The Garbage Fund accounts for the garbage collection services contracted by the City.

All remaining proprietary funds are aggregated and reported as nonmajor proprietary funds.

C. Measurement Focus and Basis of Accounting

The City of Dysart maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts only available to be used for specific purposes determined by a formal action by Council ordinance or resolution.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	<u>\$ 550,796</u>	<u>\$ 550,796</u>	Various

Interest rate risk - The City's investment policy limits the investment of operating funds, those funds which are expected to be expended in the current budget year or within 15 months of receipt, to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City maintains funds in a Sweep Manager Account Program with Security State Bank. The Bank transfers funds out of the City's bank account once it meets or exceeds the "target balance" and places them into retail repurchase agreement, or "Repo". The target balance changes from month to month and is based on the previous month's disbursements, average daily balance, etc. The Repos evidence a borrowing to be collateralized by securities, which are held by a third-party custodian. Amounts swept from the bank account into Repos will earn interest rates that are determined by the Bank daily. During the year ended June 30, 2015, the target balance varied from \$63,000 to \$278,000.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2016	250,000	44,706
2017	295,000	42,010
2018	295,000	38,958
2019	300,000	33,935
2020	300,000	28,520
2021-2025	750,000	69,688
2026-2028	160,000	7,128
Total	<u>\$ 2,350,000</u>	<u>264,945</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

On May 27, 2015 the city issued \$1,070,000 of general obligation corporate purpose and refunding bonds for 1) constructing street, water and sewer improvements; 2) current refunding of the outstanding balance of the City's General Obligation Corporate Purpose Bond, Series 2006. The city received funds in the par amount of the bonds plus a net premium of \$40,767.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS

Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection Occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$40,329.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City’s liability for its proportionate share of the collective net pension liability totaled \$89,834. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.0022652 percent, which was a decrease of 0.0012353 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$13,991, \$7,343 and \$93,835 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best

estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	\$298,285	\$89,834	(\$85,989)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 7 active and no retired members in the plan. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the full cost of the premium for the medical/prescription drug benefits. The City's deductibles for the plan are \$3,000 for single and \$6,000 for family and it self funds half of the deductible, or \$1,500 for single and \$3,000 for family, for each participant. A third party administrator, Advantage Administrators, coordinates the self funded portion of the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The most recent active member monthly premiums paid for by the City are \$673 for single coverage and \$1,682 for family coverage. For the year ended June 30, 2015, the City contributed \$86,374 and plan members eligible for benefits contributed \$15,531 to the plan.

Plan Description - The City approved a onetime retirement benefit in March 1994 for one employee where the city pays for the retiree's Medicare and drug supplement. For the year ended June 30, 2015, the City contributed \$3,923 to the individual's Medicare supplement.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2015 was \$17,301. This liability has been computed based on rates of pay in effect at June 30, 2015.

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(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 61,214
	Enterprise:	
	Electric	100,000
Debt Service:		
2006 Infrastructure Debt	Special Revenue:	
	Tax Increment Financing	46,533
	Debt Service:	
	Debt Service Levy	40,742
2010 Infrastructure Debt	Special Revenue:	
	Tax Increment Financing	18,500
	Debt Service:	
	Debt Service Levy	4,890
2013 Talmage/Pool Debt	Special Revenue:	
	Tax Increment Financing	5,166
	Local Option Sales Tax	95,272
	Capital Project:	
	Talmage Project	
	Debt Service:	
	Debt Service Levy	43,990
Capital Project:		
Storm Sewer Project	Enterprise:	
	Electric	26,721
Comm. Bldg./Park Project	General Fund	163,127
	Capital Projects:	
	Storm Recovery	12,979
	Enterprise:	
	Electric	264,000
Total		<u>\$ 883,134</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials during the year ended June 30, 2015 totaling \$484.

(9) Commitments

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2015. The agreement automatically renews each calendar year. The rates for such purchases are subject to review annually.

Under a water purchase contract, the City is committed to the purchase of bulk water from Poweshiek Water Association through 2038. The rates for such purchases are subject to review annually.

The City participates in a 28E organization with Tama County and other cities within Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and post closure care as of March 31, 2013, the most recent date for which such information is available, is approximately \$1,835,800. The Commission has accumulated resources to fund these costs and, at June 30, 2013, assets of \$2,035,800 are restricted for these purposes. Current figures were not able to be obtained prior to issuing the financial statements for the fiscal year ending June 30, 2015.

The City awarded a bid to Horsfield Construction, Inc. for the 2015 Clark Street Water Main Project. The contract total was for \$278,971 of which \$265,585 had been paid before year end.

The City awarded a bid to Garling Construction, Inc. for the Dysart Community Building Renovation Project. The contract total was for \$685,000 of which \$299,811 had been paid before year end.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Dysart's contributions to the Pool for the year ended June 30, 2015 were \$37,648.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public

officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

(11) Litigation

As a member of the Resale Power Group of Iowa, the City of Dysart is currently a party to litigation of Central Iowa Power Cooperative (CIPCO), v. RPGI, City of Dysart, and all other member utilities. All parties have agreed to a settlement, which has been approved by the Federal Energy Regulatory Commission. The City of Dysart will be responsible for a monthly payment of \$364.75 for a period of 5 years with final payment due in April, 2019. At that point, all claims will be considered settled.

(12) Subsequent Events

The City has evaluated subsequent events through January 8, 2016, the date the financial statements were issued.

Other Information

City of Dysart
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 479,362	-	-
Tax increment financing collections	69,838	-	-
Other city tax	90,795	-	-
Licenses and permits	4,946	-	-
Use of money and property	5,666	3,911	143
Intergovernmental	212,408	-	-
Charges for service	134,233	1,786,317	1,690
Special assessments	29,315	-	-
Miscellaneous	164,607	23,035	26,271
Total receipts	<u>1,191,170</u>	<u>1,813,263</u>	<u>28,104</u>
Disbursements:			
Public safety	539,718	-	24,859
Public works	169,309	-	-
Culture and recreation	204,186	-	-
Community and economic development	14,063	-	-
General government	61,495	-	-
Debt service	999,515	-	-
Capital projects	733,115	-	-
Business type activities	-	1,579,466	-
Total disbursements	<u>2,721,401</u>	<u>1,579,466</u>	<u>24,859</u>
Excess (deficiency) of receipts over (under) disbursements	(1,530,231)	233,797	3,245
Other financing sources (uses), net	<u>1,514,250</u>	<u>(390,721)</u>	-
Excess of receipts and other financing sources over disbursements and other financing uses	(15,981)	(156,924)	3,245
Balances beginning of year	<u>1,501,815</u>	<u>1,486,858</u>	<u>62,048</u>
Balances end of year	<u>\$1,485,834</u>	<u>1,329,934</u>	<u>65,293</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
479,362	476,377	476,377	2,985
69,838	70,896	70,896	(1,058)
90,795	86,484	86,484	4,311
4,946	2,075	2,075	2,871
9,434	10,900	10,900	(1,466)
212,408	338,027	338,027	(125,619)
1,918,860	1,984,600	1,984,600	(65,740)
29,315	2,500	2,500	26,815
161,371	309,700	309,700	(148,329)
2,976,329	3,281,559	3,281,559	(305,230)
514,859	534,490	544,490	29,631
169,309	135,952	254,452	85,143
204,186	209,364	227,617	23,431
14,063	21,500	21,500	7,437
61,495	64,950	77,950	16,455
999,515	292,290	1,012,290	12,775
733,115	880,000	1,261,200	528,085
1,579,466	1,795,000	1,845,000	265,534
4,276,008	3,933,546	5,244,499	968,491
(1,299,679)	(651,987)	(1,962,940)	663,261
1,123,529	-	1,070,000	53,529
(176,150)	(651,987)	(892,940)	716,790
2,926,625	2,574,114	2,574,114	352,511
2,750,475	1,922,127	1,681,174	1,069,301

City of Dysart

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted revenues by \$1,070,000 and disbursements by \$1,312,953. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted prior to amendment

City of Dysart
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.002265%
City's proportionate share of the net pension liability	\$ 89,834
City's covered-employee payroll	\$ 423,967
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	21.19%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June .

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Dysart
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 40,329	37,807	34,797	32,227
Contributions in relation to the statutorily required contribution	<u>(40,329)</u>	<u>(37,807)</u>	<u>(34,797)</u>	<u>(32,227)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 423,967	398,775	371,753	336,272
Contributions as a percentage of covered-employee payroll	9.51%	9.48%	9.36%	9.58%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
32,909	27,777	25,401	23,538	18,941	19,275
<u>(32,909)</u>	<u>(27,777)</u>	<u>(25,401)</u>	<u>(23,538)</u>	<u>(18,941)</u>	<u>(19,275)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
423,029	383,578	372,247	371,890	314,263	312,230
7.78%	7.24%	6.82%	6.33%	6.03%	6.17%

City of Dysart

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Total
Receipts:				
Property tax	\$ 60,830	89,526	-	150,356
Tax increment financing	69,838	-	-	69,838
Other city tax	88,342	504	-	88,846
Use of money and property	598	194	20	812
Intergovernmental	143,392	-	-	143,392
Charges for services	1,690	-	-	1,690
Special assessments	-	1,025	-	1,025
Miscellaneous	26,271	1	-	26,272
Total receipts	390,961	91,250	20	482,231
Disbursements:				
Operating:				
Public safety	24,859	-	-	24,859
Public works	166,821	-	-	166,821
Debt service	-	193,515	-	193,515
Capital projects	-	-	31,195	31,195
Total disbursements	191,680	193,515	31,195	416,390
Excess (deficiency) of receipts over (under) disbursements	199,281	(102,265)	(31,175)	65,841
Other financing sources (uses):				
Transfers in	-	167,818	26,721	194,539
Transfers out	(226,686)	(89,622)	(12,979)	(329,287)
Net other financing sources (uses)	(226,686)	78,196	13,742	(134,748)
Net change in cash balances	(27,405)	(24,069)	(17,433)	(68,907)
Cash balances beginning of year	362,226	86,064	17,464	465,754
Cash balances end of year	\$ 334,821	61,995	31	396,847
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	61,995	-	61,995
Streets	101,788	-	-	101,788
Urban renewal purposes	29,135	-	-	29,135
Other purposes	203,898	-	-	203,898
Assigned for capital expenditures	-	-	31	31
Total cash basis fund balances	\$ 334,821	61,995	31	396,847

See accompanying independent auditor's report

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2015

	Road Use	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment	Low to Moderate Income Housing
Receipts:					
Property tax	\$ -	60,830	-	-	-
Tax increment financing	-	-	-	69,838	-
Other city tax	-	360	87,982	-	-
Use of money and property	-	25	312	49	69
Intergovernmental	143,392	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	143,392	61,215	88,294	69,887	69
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	166,821	-	-	-	-
Total disbursements	166,821	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(23,429)	61,215	88,294	69,887	69
Other financing sources (uses):					
Transfers out	-	(61,215)	(95,272)	(70,199)	-
Net other financing sources (uses)	-	(61,215)	(95,272)	(70,199)	-
Net change in cash balances	(23,429)	-	(6,978)	(312)	69
Cash balances beginning of year	125,217	-	145,583	313	29,065
Cash balances end of year	\$ 101,788	-	138,605	1	29,134
Cash Basis Fund Balances					
Restricted for:					
Streets	\$ 101,788	-	-	-	-
Urban renewal purposes	-	-	-	1	29,134
Other purposes	-	-	138,605	-	-
Total cash basis fund balances	\$ 101,788	-	138,605	1	29,134

See accompanying independent auditor's report

<u>Dysart Fire Fighters, Inc.</u>	<u>Total</u>
-	60,830
-	69,838
-	88,342
143	598
-	143,392
1,690	1,690
26,271	26,271
<u>28,104</u>	<u>390,961</u>
24,859	24,859
-	166,821
<u>24,859</u>	<u>191,680</u>
<u>3,245</u>	<u>199,281</u>
-	(226,686)
-	(226,686)
3,245	(27,405)
<u>62,048</u>	<u>362,226</u>
<u>65,293</u>	<u>334,821</u>
-	101,788
-	29,135
<u>65,293</u>	<u>203,898</u>
<u>65,293</u>	<u>334,821</u>

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Debt Service Funds

As of and for the year ended June 30, 2015

	Debt Service Levy	2010 Infrastructure	2013 Talmage/ Pool	Total
Receipts:				
Property tax	\$ 89,526	-	-	89,526
Other city tax	504	-	-	504
Use of money and property	67	85	42	194
Special assessments	-	-	1,025	1,025
Miscellaneous	1	-	-	1
Total receipts	90,098	85	1,067	91,250
Disbursements:				
Operating:				
Debt service	-	48,390	145,125	193,515
Total disbursements	-	48,390	145,125	193,515
Excess (deficiency) of receipts over (under) disbursements	90,098	(48,305)	(144,058)	(102,265)
Other financing sources (uses):				
Transfers in	-	23,390	144,428	167,818
Transfers out	(89,622)	-	-	(89,622)
Net other financing sources (uses)	(89,622)	23,390	144,428	78,196
Net change in cash balances	476	(24,915)	370	(24,069)
Cash balances beginning of year	2,865	55,181	28,018	86,064
Cash balances end of year	\$ 3,341	30,266	28,388	61,995
Cash Basis Fund Balances				
Restricted for debt service	\$ 3,341	30,266	28,388	61,995
Total cash basis fund balances	\$ 3,341	30,266	28,388	61,995

See accompanying independent auditor's report

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Capital Projects Funds

As of and for the year ended June 30, 2015

	Equipment Replacement	Storm Recovery	Storm Sewer 2013	Total
Receipts:				
Use of money and property	-	15	5	20
Total receipts	-	15	5	20
Disbursements:				
Operating:				
Capital projects	-	-	31,195	31,195
Total disbursements	-	-	31,195	31,195
Excess (deficiency) of receipts over (under) disbursements	-	15	(31,190)	(31,175)
Other financing sources (uses):				
Transfers in	-	-	26,721	26,721
Transfers out	-	(12,979)	-	(12,979)
Net other financing sources (uses)	-	(12,979)	26,721	13,742
Net change in cash balances	-	(12,964)	(4,469)	(17,433)
Cash balances beginning of year	31	12,964	4,469	17,464
Cash balances end of year	\$ 31	-	-	31
Cash Basis Fund Balances				
Assigned for capital expenditures	\$ 31	-	-	31
Total cash basis fund balances	\$ 31	-	-	31

See accompanying independent auditor's report

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	Sewer	Project Share	Total
Operating receipts:			
Charges for service	\$ 87,078	-	87,078
Miscellaneous	9,184	-	9,184
Total operating receipts	96,262	-	96,262
Operating disbursements:			
Business type activities	121,343	-	121,343
Total operating disbursements	121,343	-	121,343
Excess (deficiency) of operating receipts over (under) operating disbursements	(25,081)	-	(25,081)
Non-operating receipts (disbursements):			
Interest on investments	176	-	176
Net non-operating receipts (disbursements)	176	-	176
Excess (deficiency) of receipts over (under) disbursements	(24,905)	-	(24,905)
Net change in cash balances	(24,905)	-	(24,905)
Cash balances beginning of year	99,989	93	100,082
Cash balances end of year	\$ 75,084	93	75,177
Cash Basis Fund Balances			
Restricted for other purposes	\$ -	93	93
Unassigned	75,084	-	75,084
Total cash basis fund balances	\$ 75,084	93	75,177

City of Dysart
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Corporate purpose, Series 2006	September 1, 2006	4.00 - 4.50%	\$ 1,200,000
Corporate purpose, Series 2010	March 2, 2010	2.00 - 3.60%	400,000
Corp. purpose & refunding, Series 20	March 12, 2013	0.35 - 2.35%	1,320,000
Corp. purpose & refunding, Series 20	May 27, 2015	0.7 -3.00%	1,070,000

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 765,000	-	765,000	-	33,275
255,000	-	40,000	215,000	7,890
1,195,000	-	130,000	1,065,000	14,625
-	1,070,000	-	1,070,000	-
<hr/>				
\$ 2,215,000	1,070,000	935,000	2,350,000	55,790

City of Dysart

Bond and Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation Bond		General Obligation Bond		General Obligation Bond		Total
	2010 Infrastructure		Corp. Purpose & Refunding Series 201		Corp. Purpose & Refunding Series 2015		
	Issued March 2, 2010		Issued March 12, 2013		Issued May 27, 2015		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	2.75	40,000	0.60	135,000	0.70	75,000	250,000
2017	3.00	40,000	0.75	135,000	0.70	120,000	295,000
2018	3.20	45,000	0.95	135,000	2.00	115,000	295,000
2019	3.40	45,000	1.10	135,000	2.00	120,000	300,000
2020	3.60	45,000	1.30	140,000	2.50	115,000	300,000
2021		-	1.45	100,000	2.50	120,000	220,000
2022		-	1.90	35,000	2.75	115,000	150,000
2023		-	1.90	40,000	2.75	115,000	155,000
2024		-	1.90	40,000	3.00	115,000	155,000
2025		-	2.35	40,000	3.00	30,000	70,000
2026		-	2.35	40,000	3.00	30,000	70,000
2027		-	2.35	45,000		-	45,000
2028		-	2.35	45,000		-	45,000
Total	\$	215,000		1,065,000		1,070,000	2,350,000

See accompanying independent auditor's report

City of Dysart

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

	2015	2014	2013	2012	2011
Property tax	\$ 479,362	466,300	442,134	426,879	412,527
Tax increment financing	69,838	71,864	85,072	87,129	65,744
Other city tax	90,795	87,884	91,776	108,806	81,979
Licenses and permits	4,946	4,376	5,030	4,674	4,955
Use of money and property	5,666	9,503	11,574	12,778	12,866
Intergovernmental	212,408	156,701	152,583	234,790	139,146
Charges for service	134,233	125,609	127,567	113,022	144,012
Special assessments	29,315	12,137	2,487	43,885	2,131
Miscellaneous	164,607	325,692	95,207	218,624	72,333
Total	<u>\$ 1,191,170</u>	<u>1,260,066</u>	<u>1,013,430</u>	<u>1,250,587</u>	<u>935,693</u>
Disbursements:					
Operating:					
Public safety	\$ 539,718	633,468	344,976	281,277	279,864
Public works	169,309	102,646	76,714	198,521	127,218
Culture and recreation	204,186	226,894	207,549	247,952	196,179
Community and economic	14,063	14,736	15,405	11,631	16,054
General government	61,495	61,585	56,963	71,606	56,772
Debt service	999,515	289,233	985,504	249,189	256,406
Capital projects	733,115	763,466	167,126	455,669	206,914
Total	<u>\$ 2,721,401</u>	<u>2,092,028</u>	<u>1,854,237</u>	<u>1,515,845</u>	<u>1,139,407</u>

See accompanying independent auditor's report

2010

410,578

65,870

80,888

2,476

16,874

133,092

130,468

18,841

77,464

936,551

206,347

89,943

185,374

17,751

48,250

236,444

120,338

904,447



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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 8, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dysart's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Dysart's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dysart's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Dysart's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 and II-C-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dysart's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no immaterial instances of non-compliance or other matters as described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Dysart's Responses to Findings

The City of Dysart's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Dysart's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dysart during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

January 8, 2015

City of Dysart
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Dysart did not expend federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2015.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. These incompatible duties can be summarized into four general categories: Custody, Authorization, Record-Keeping and Review. Ideally, separate individuals have control over each of the duties listed within the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparation and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel and elected officials to provide additional control through review of financial transactions and reports.

II-B-15 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Dysart does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an entity of this size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on an ongoing basis. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response accepted.

- II-C-15 Sewer Utility Rates – The City passed Ordinance 297 which increased the sewer utility rate effective April 15, 2015. We noted sewer utility customers were under billed on the May and June billings.

Recommendation – The City should review their utility billing system after each approved rate increase to ensure the correct rates are being reflected and charged to customers. The City may want to consider periodic reviews of utility rates in the billing system to ensure proper billing for utility services.

Response – This was an oversight on the part of management and the utility billing software has been corrected. Rates now correctly reflect the appropriate electric rate.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted in accordance with Chapter 384.20 of the Code of Iowa.

III-B-15 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Bret Hennessy, Council Member, Owner of Shamrock Lawn Service	Lawn spraying / trimming	\$484

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the amount is for less than \$2,500.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted

III-H-15 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2015.

IV-I-15 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

IV-J-15 Franchise Fees – If a City adopts a franchise fee rate ordinance, a revenue purpose statement shall be prepared specifying the purpose or purposes for which the revenue collected from the rate will be expended. The City does not have revenue purpose statements for the ordinances in effect.

Recommendation – The City should adopt revenue purpose statements in accordance with Chapter 364.2(4)(f) of the code of Iowa.

Response – We will comply with this recommendation.

Conclusion – Response accepted.